
Oil Search and PNG Government reach agreement on share placement

27 February 2014

Please see attached a press release issued today by the Independent State of Papua New Guinea regarding the subscription for 149.39 million shares in Oil Search Limited at A\$8.20 per share.

This follows Oil Search's announcement earlier today regarding the acquisition of a 22.835% gross interest in PRL 15, containing the Elk/Antelope gas discoveries in PNG for US\$900 million (see separate release for details).

Peter Botten, Oil Search's Managing Director said:

"We are delighted to have reached an agreement with the PNG Government to facilitate their continued investment in the Company. There remains strong alignment between Oil Search and the PNG Government, with Oil Search regarded as a key player in driving the future development of the country's abundant gas resources."

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The Independent State of Papua New Guinea (the "**State**") and Oil Search Limited ("**Oil Search**") have today reached agreement under which the State will subscribe for 149.39 million shares in Oil Search Limited at A\$8.20 per share. This agreement is subject to the execution of final financing documentation with UBS AG, Australia Branch, and the receipt of final State approvals which are expected to be received on or before 6 March 2014. Settlement of the subscription is expected to take place by mid-March 2014.

We note that Oil Search has today announced the acquisition of a 22.835% gross interest in PRL-15, which contains the Elk-Antelope discovery, through the acquisition of the Pac LNG Group Companies. The acquisition provides Oil Search with a strategic interest in the largest undeveloped gas resource in PNG, with significant exploration upside. The State looks forward to working with Oil Search, its joint venture partners and other resource owners to develop all PNG hydrocarbon resources in the earliest practical timeframe.

The State notes the March 2014 maturity of the Exchangeable Bonds issued in 2009 by the Independent Public Business Corporation of Papua New Guinea ("**IPBC**") to the International Petroleum Investment Corporation ("**IPIC**") (together the "**IPIC EB**"). The funds raised from the IPIC EB issue enabled the State to fund its share of the construction of the PNG LNG project which is scheduled to begin commercial production during 2014.

IPBC has received a Mandatory Exchange Notice from IPIC in relation to the IPIC EB and accordingly the exchange of the relevant Oil Search shares currently held by IPBC will occur as prescribed under the IPIC EB Deed. The State looks forward to working alongside IPIC on the Oil Search share register and building on our existing strong relationship. The State views IPIC's investment in Oil Search as a vote of confidence in the prospects for the PNG hydrocarbon industry. IPIC has a reputation for being a long-term investor in overseas energy and energy-related assets and is widely regarded for the support it provides to all the companies in its portfolio.

The State looks forward to maintaining a material shareholding in Oil Search with a view to participating in the additional upside of Oil Search's existing projects and the Elk-Antelope project.

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